

AD-A151 116

THE PROS AND CONS OF THE TRANSFER OF THE NATIONAL
DEFENSE STOCKPILE TO THE DEPARTMENT OF DEFENSE(U) ARMY
WAR COLL CARLISLE BARRACKS PA A R GREENWOOD 20 DEC 84

1/1

UNCLASSIFIED

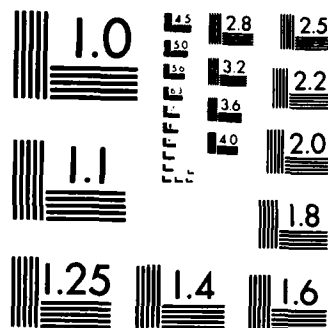
F/G 15/5

NL

END

FILMED

DTIC



MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS 1963-A

AD-A151 116

2

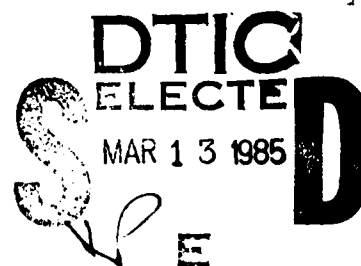
STUDY
PROJECT

The views expressed in this paper are those of the author and do not necessarily reflect the views of the Department of Defense or any of its agencies. This document may not be released for open publication until it has been cleared by the appropriate military service or government agency.

THE PROS AND CONS OF THE TRANSFER OF THE
NATIONAL DEFENSE STOCKPILE TO THE DEPARTMENT OF
DEFENSE

BY

COLONEL ALFRED R. GREENWOOD



20 DECEMBER 1984

CORRESPONDING COURSE

US ARMY WAR COLLEGE, CARLISLE BARRACKS, PA 17013



Approved for public release
distribution unlimited.

85 02 28 038

DTIC FILE COPY

UNCLASSIFIED

SECURITY CLASSIFICATION OF THIS PAGE (When Data Entered)

REPORT DOCUMENTATION PAGE		READ INSTRUCTIONS BEFORE COMPLETING FORM
1. REPORT NUMBER	2. GOVT ACCESSION NO. AD A151116	3. RECIPIENT'S CATALOG NUMBER
4. TITLE (and Subtitle) The Pros and Cons of the Transfer of the National Defense Stockpile to the Department of Defense		5. TYPE OF REPORT & PERIOD COVERED STUDENT ESSAY
7. AUTHOR(s) Alfred R. Greenwood, COL, QM		6. PERFORMING ORG. REPORT NUMBER
9. PERFORMING ORGANIZATION NAME AND ADDRESS US Army War College Carlisle Barracks, PA 17013-5050		8. CONTRACT OR GRANT NUMBER(s)
11. CONTROLLING OFFICE NAME AND ADDRESS SAME		10. PROGRAM ELEMENT, PROJECT, TASK AREA & WORK UNIT NUMBERS
14. MONITORING AGENCY NAME & ADDRESS (if different from Controlling Office)		12. REPORT DATE 20 December 1984
		13. NUMBER OF PAGES 24
		15. SECURITY CLASS. (of this report) UNCLASSIFIED
		15a. DECLASSIFICATION/DOWNGRADING SCHEDULE
16. DISTRIBUTION STATEMENT (of this Report) DISTRIBUTION STATEMENT A: Approved for public release; distribution is unlimited.		
17. DISTRIBUTION STATEMENT (of the abstract entered in Block 20, if different from Report)		
18. SUPPLEMENTARY NOTES		
19. KEY WORDS (Continue on reverse side if necessary and identify by block number)		
20. ABSTRACT (Continue on reverse side if necessary and identify by block number) At issue is whether the National Defense Stockpile should be transferred to the Department of Defense. An analysis of this issue is undertaken in the context of H.R. 33, a bill introduced for this purpose by Representative Charles E. Bennett, Chairman of the Seapower and Strategic and Critical Materials Subcommittee of the House Armed Services Committee which oversees stockpile policy. The essay was developed on the basis of a literature		

UNCLASSIFIED

SECURITY CLASSIFICATION OF THIS PAGE (When Data Entered)

UNCLASSIFIED

SECURITY CLASSIFICATION OF THIS PAGE(When Data Entered)

BLOCK 20 (con't)

search, discussions with DOD, FEMA, GSA, and congressional staff, and the author's background in working with the House Armed Services Committee on this issue. The essay reviews the background and history of the National Defense Stockpile, discusses the management of the stockpile from 1939 to the present, and provides arguments advanced for and against the transfer of the stockpile to DOD during a congressional hearing on H.R.33, held in February 1983. The essay concludes that there is little likelihood that much progress will be made in meeting stockpile goals under the current stockpile organization. On the other hand, there is no guarantee that the program would improve significantly under Department of Defense management. However, a transfer to DOD would place both the authorization and appropriations for the stockpile in the hands of defense oriented committees and subcommittees. In any event, it is a good bet that similar legislation to transfer the stockpile to the Department of Defense will be introduced early in the 99th Congress.

Accession For	
NTIS GRA&I	<input checked="" type="checkbox"/>
DTIC TAB	<input type="checkbox"/>
Unannounced	<input type="checkbox"/>
Justification	
By	
Distribution/	
Availability Codes	
Dist	Avail and/or Special
A-1	



UNCLASSIFIED

SECURITY CLASSIFICATION OF THIS PAGE(When Data Entered)

26 DEC 1984

USAWC ESSAY

The views expressed in this paper are those of the author and do not necessarily reflect the views of the Department of Defense or any of its agencies. This document is not to be released for open publication until it has been cleared by the appropriate military service or government agency.

THE PROS AND CONS OF THE TRANSFER
OF THE NATIONAL DEFENSE STOCKPILE
TO THE DEPARTMENT OF DEFENSE

by

Colonel Alfred R. Greenwood
Quartermaster

US Army War College
Carlisle Barracks, Pennsylvania
20 December 1984

Approved for public release
distribution unlimited.

ABSTRACT

AUTHOR: Alfred R. Greenwood, COL, QM

TITLE: The Pros and Cons of the Transfer
of the National Defense Stockpile
to the Department of Defense

FORMAT: Essay

DATE: 20 December 1984

CLASSIFICATION: Unclassified

At issue is whether the National Defense Stockpile should be transferred to the Department of Defense. An analysis of this issue is undertaken in the context of H.R. 33, a bill introduced for this purpose by Representative Charles E. Bennett, Chairman of the Seapower and Strategic and Critical Materials Subcommittee of the House Armed Services Committee which oversees stockpile policy. The essay was developed on the basis of a literature search, discussions with DOD, FEMA, GSA, and congressional staff, and the author's background in working with the House Armed Services Committee on this issue. The essay reviews the background and history of the National Defense Stockpile, discusses the management of the stockpile from 1939 to the present, and provides arguments advanced for and against the transfer of the stockpile to DOD during a congressional hearing on H.R. 33 held in February 1983. The essay concludes that there is little likelihood that much progress will be made in meeting stockpile goals under the current stockpile organization. On the other hand, there is no guarantee that the program would improve significantly under Department of Defense management. However, a transfer to DOD would place both the authorization and appropriations for the stockpile in the hands of defense oriented committees and subcommittees. In any event, it is a good bet that similar legislation to transfer the stockpile to the Department of Defense will be introduced early in the 99th Congress.

THE PROS AND CONS OF THE TRANSFER OF THE
NATIONAL DEFENSE STOCKPILE TO THE DEPARTMENT OF DEFENSE

INTRODUCTION

During the 98th Congress the Subcommittee on Seapower and Strategic and Critical Materials of the House Armed Services Committee considered legislation which would transfer management of the National Defense Stockpile to the Secretary of Defense. This legislation (H.R. 33) was sponsored by the Subcommittee's Chairman, Representative Charles E. Bennett of Florida, the second ranking member of the House Armed Services Committee. The legislation was motivated by Mr. Bennett's view that little progress was being made by the Federal Emergency^{MANAGEMENT} Agency (FEMA) and the General Services Administration (GSA) in meeting National Defense Stockpile goals.

In introducing the legislation, Mr. Bennett argued that it was necessary for an important program such as the National Defense Stockpile to receive centralized direction through a single government entity in the areas of planning, budgeting, and program implementation. He further indicated that what was needed was an organization with the responsibility to establish stockpile goals on the basis of current war plans and projected requirements for military equipment and the supporting industrial mobilization base. According to Mr. Bennett, this would be accomplished by the development of an expanded defense planning process which would assess industrial preparedness requirements and stockpile needs on the basis of wartime scenarios, force

structure, logistical support requirements, and the existing capabilities of the U.S. Defense industrial base.

While a hearing was held on H.R. 33 in February 1983, the Seapower and Strategic and Critical Materials Subcommittee failed to report the legislation to the full committee for further action. However, the House Armed Services Committee drafted a stockpile report provision (Sec. 904) included in Title IX of the Department of Defense Authorization bill for FY 1985 (P.L. 98-525), which requires the President to submit the report to both the House and Senate Armed Services Committees by January 31, 1985. The stockpile report is to include: "an analysis as to the appropriateness of placing all aspects of the management and operation of the stockpile under a single authority, such as the Secretary of Defense." (Sec. 904 (2))

It appears likely that legislation will be reintroduced early in the 99th Congress by the Subcommittee on Seapower and Strategic and Critical Materials or by Mr. Bennett which would transfer the stockpile to the Department of Defense.

What follows is a brief review of the National Defense Stockpile, a summary of the various organizational entities responsible for management and operation of the stockpile since its inception in 1939, a short discussion of H.R. 33, and the pros and cons of the transfer of the stockpile to the Department of Defense.

BACKGROUND AND HISTORY OF THE NATIONAL DEFENSE STOCKPILE

The Strategic and Critical Materials Stock Pile (National Stockpile) was established in 1939 to provide for the acquisition and retention of stocks of certain strategic and critical materials in which the United States was

➤ deficient and thereby decrease and prevent wherever possible a dangerous and costly dependence of the United States upon foreign nations for supplies of these materials in times of national emergency. → p. ii

Following the end of World War II, the Strategic and Critical Materials Stock Piling Act (1946) (P.L. 79-520) was passed. A target of \$2.1 billion for the stockpile was established, with plans to procure materials over a 5-year period at the rate of \$360 million per year. In addition, wartime stocks of Federal agencies, principally from the Reconstruction Finance Corporation and valued at \$300 million, were transferred to the stockpile. However, the first year's request for stockpile purchases was cut to \$250 million by the Bureau of the Budget, and then to \$100 million by Congress. Nevertheless, by 1950 the value of the stockpile had increased to \$1.6 billion. The Korean War and the U.S. partial mobilization provided the impetus for large stockpile purchases. From 1950 to 1951 alone, the Congress appropriated \$2.9 billion for the stockpile.

During the Eisenhower, Kennedy, Johnson, and Nixon Administrations, the assumptions governing military and industrial preparedness were often modified. For example, stockpile goals were reduced after assumptions about the length of a potential U.S. war emergency were lowered from 5 years to 3 years to 1 year, based on the belief that nuclear war would be swift and decisive, and any protracted conventional conflict of relevant severity was unlikely. As a result, almost \$6 billion in stockpile sales (\$2.1 billion in FY74 alone) were used to reduce budget deficits and to hold down materials prices, as an anti-inflation device.

As a reaction to the stockpile disposals of the executive branch, Congress passed the Strategic and Critical Materials Stock Piling Revision Act of 1979 (P.L. 96-41). The Act created a National Defense Stockpile by combining the

three previous stockpiles (National Stockpile, Supplemental Stockpile, and the Defense Production Act inventory), restricted the use of the stockpile to defense purposes only, and prohibited stockpile sales as a means of controlling or influencing commodity prices or to produce receipts for budget purposes. In addition, the Act included a provision designed to stabilize changes in stockpile goals by directing that stockpile goals be based on a 3-year contingency. The Act further directed the President to encourage the use of barter and provided several provisions designed to improve the operation and management of the stockpile.

On April 5, 1982, President Reagan submitted his "National Materials and Minerals Program Plan and Report to Congress." The President reaffirmed his administration's reliance on the stockpile to meet military, industrial, and essential civilian needs, in support of the national defense in time of national emergency. His report states:

The security of America's foreign sources of materials can no longer be ignored. The United States imports more than half of our total supplies of twenty strategic materials. This Administration has undertaken the first stockpile purchase program in twenty years. . . .

To achieve this goal, the Administration will seek Congressional approval to sell the excess reserves of materials currently in the stockpile. We are seeking Congressional appropriations to acquire necessary stockpile materials. We will use exchanges and barter to acquire additional stockpile materials when in the best interest of the country.

Based on June 29, 1984, commodity prices, the National Defense Stockpile was valued at \$10.9 billion and was composed of 61 family groups and individual materials. However, \$3.8 billion of the stockpile is considered excess, including 137.5 million ounces of silver and 187,200 long tons of tin. These two materials alone are valued at almost \$3.7 billion. A total inventory of approximately \$17.3 billion of strategic and critical materials would be

needed to meet current stockpile goals. Consequently, to bring the stockpile to this goal, the \$3.8 billion of excess materials would have to be sold, and more critically needed materials worth about \$10.2 billion would have to be acquired. 1/

Materials to be acquired include some 43 commodities which do not meet current stockpile goals. Assuming that the \$3.8 billion of excess stockpile commodities could be sold, an additional \$6.4 billion would be required for such purchases. Such an appropriation is extremely unlikely, barring a military crisis, since Congress has not provided significant appropriations for the National Stockpile in recent years. For example, the Reagan Administration requested \$120 million in FY82, but Congress appropriated only \$58 million. However, the Administration requested and received \$120 million for FY83/84, and the Congress increased this amount to \$185 million for FY85. However, it should be noted that these amounts are appropriated from funds accumulated in the National Defense Stockpile Transaction fund from the sale of excess materials from the Stockpile and do not represent new appropriations authority.

STOCKPILE ADMINISTRATION - 1939 TO PRESENT

While some would argue that there was no clear-cut civilian or military control of the stockpile prior to the Stockpile Act of 1946 and a shared civilian-military administration existed during the Korean War, the history of stockpile administration can basically be divided between predominantly military influence prior to 1953 and civilian dominance from 1953 to the present.

Military Influence

The Army and Navy Munitions Board with the help of the Department of Interior conducted studies in late 1938 and early 1939 dealing with the establishment of a stockpile of strategic and critical materials for national defense purposes. With the U.S. entry into World War II, the War Production Board (WPB) was established to alleviate shortages of strategic materials, to establish priorities and allocations of scarce resources, expand domestic and foreign supplies of critical materials, and allocate shipping to meet priority cargoes. 2/ The Army-Navy Munitions Board coordinated military production and planning. The Reconstruction Finance Corporation (RFC) was the agency responsible for acquisition, storage, production and disposal of strategic and critical materials, which was carried out by RFC chartered corporations (The Metals Reserve Company, the Defense Plant Corporation, and the Defense Supplies Corporation).

Following the end of World War II, the Congress enacted the Strategic and Critical Materials Stock Piling Act of 1946 (P.L. 79-520), which was administered by the Army-Navy Munitions Board, which was later renamed the Munitions Board by the National Security Act of 1947.

The stockpiling act actually vested authority for stockpile policy with the Secretaries of War, Navy, and Interior. However, the military Secretaries delegated their authority to the Munitions Board. In addition to stockpile policy, the Munitions Board had been concerned with industrial mobilization planning since its creation in 1922.

The Munitions Board was composed of civilian commodity specialists and senior military officers who coordinated three major interagency committees. The Interdepartmental Stockpile Committee had responsibility for overall policy and established stockpile goals. The Interdepartmental Stockpile Committee was composed of the military departments and the Departments of State, Treasury, Interior, Agriculture and Commerce and was advised by 13 interdepartmental commodity committees. In turn, these 13 interdepartmental commodity committees were advised by 35 industry advisory subcommittees. The Munitions Board also had a Materials Requirements Committee and a Stockpile Storage Committee. It is generally agreed that the stockpile program under Munitions Board management operated very effectively.

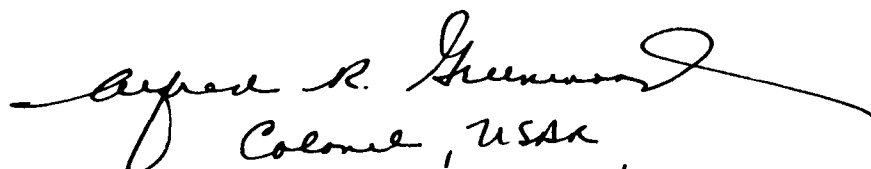
However, in his case study on the stockpile, Glenn H. Snyder made the following observations concerning the evolving military view of the stockpile program from 1946 to 1952:

While the civilian agencies were willing that stockpiling, consistent with its naturally hybrid nature, should serve a variety of values, the military departments insisted that it should serve only one, that of national security, and they defined national security in a much narrower way than did the civilians. For the military the phrase seemed to be more or less synonymous with "military security." Hence they were unwilling to move off the strictly military track even so far as to agree to the stockpiling of materials for minimum civilian needs in time of war. Moreover, the military were reluctant to allow even an advisory role for the civilian agencies, fearing that any influence for them at all would lead to corruption of the program by values and aims unrelated to the national security. Later after a military agency had been granted control of the program, the military departments retreated from these rather unsophisticated and exclusive attitudes. In fact, by 1952 the military had shifted to the opposite extreme of wanting to get rid of a program which they had realized was rather unmilitary in nature, politically controversial, and a competitor for scarce funds with more important defense programs. 3/

FOOTNOTES

1. US Federal Emergency Management Agency, Stockpile Report to the Congress, October 1984, p. 9.
2. John D. Morgan, "Strategic and Critical Materials," Materials and Society, vol. 4, 1980, p. 213.
3. Glenn H. Snyder, Stockpiling Strategic Materials, p. 270.
4. Ibid, pp. 286-287.
5. Hearings before the Subcommittee on Seapower and Strategic and Critical Materials, House Armed Services Committee, 98th Congress, First Session, on the Transfer of the National Defense Stockpile to the Secretary of Defense, p. 73 (hereafter referred to as SSCM Hearing).
6. SSCM Hearing, p. 60.
7. SSCM Hearing, p. 30.
8. SSCM Hearing, pp. 16-17.
9. SSCM Hearing, p. 121.
10. US Library of Congress. Congressional Research Service. IB83-175, 1984, p. 6.
11. SSCM Hearing, p. 33.

While there is no guarantee that moving the stockpile to DOD will yield increased funding for stockpile acquisitions, there is little likelihood that the Office of Management and Budget will permit GSA to request additional funds for this purpose. From the perspective of the Armed Services Committees of the House and Senate, the choice seems to be between continuing a program which is making little progress toward its stated stockpile goals or opting for a transfer of the program to the Department of Defense where the Armed Services Committees can apply greater leverage to DOD to insure that it receives a higher priority.


Alfred R. Greenman
Colonel, USAF
579-50-7704

It is argued that the integration of stockpile requirements and DOD war plans will only be accomplished if DOD is given the authority and responsibility for the operations and management of the stockpile and answerable to the House and Senate Armed Services Committees.

CONCLUDING THOUGHTS

The executive branch argument that there should be civilian control of defense mobilization activities is a rational and widely supported position. Undoubtedly, any future national emergency or wartime crisis will see the re-emergence of some form of civilian agency such as the War Production Board, the National Security Resources Board, or the Office of Defense Mobilization. However, the National Defense Stockpile is only one element of the overall defense mobilization effort.

In the past, the stockpile was managed by the Defense Establishment even though the overall defense mobilization program was administered by a civilian agency. In this regard, the Munitions Board is credited with doing an excellent job of establishing stockpile goals and administering the program. There is no reason to believe that this program could not be run efficiently by DOD or any other Federal agency. However, there is the possibility that political and foreign policy considerations could be rendered less intrusive under military management.

There is also merit to the idea that stockpile goals are more likely to reflect defense requirements if the program is transferred to Defense. At the same time, the Department of Defense is certainly capable of chairing the Annual Materials Plan Steering Committee in the determination of industrial and essential civilian requirements.

based more on budgetary considerations than on national security grounds. In this regard, the conference report on the recently enacted Defense Authorization bill for FY 1985 expressed the sense of the Congress that stockpile goals should not be reduced during FY 1985.

During the H.R. 33 hearing, Representative Sisisky expressed concern about the adequacy of the National Defense Stockpile considering the Soviet threat. Mr. Sisisky made the following observation during his questioning of Dr. John D. Morgan, Chief Staff Officer of the U.S. Bureau of Mines:

Mr. SISISKY. Now, this is my concern, then. Ever since I came to Congress, we are looking at budgets for the Defense Establishment that are sky high. The administration, everybody who has testified before this committee, talks about the threat we have on our national security. If we don't have a threat then we are being misled somewhere along the line. Why the buildup in our Defense Establishment and not our stockpile? It just doesn't make sense to me.

Dr. MORGAN. I think, sir, we probably have a greater threat now than we had 30 years ago because as I cited earlier in my testimony, in 1949 we had unquestioned air superiority, naval superiority, nuclear superiority. About the only thing the Soviet Union had was land superiority on the European and Asiatic land mass.

Today, the sources of supply that we looked to beforehand in Africa and Latin America are much less reliable than they were 30 years ago. In the 1950 period, all of Africa, with the exception of Liberia and Ethiopia, were under the control of Britain, France, Spain, Portugal, and Belgium--all allied with us.

Thirty years ago, most of the industries in Latin America were run by American companies out of offices in this country. All that has changed, so that sources are less reliable, and we see the Soviet Navy with a blue water fleet. The President referred to this in his commissioning of the New Jersey, just toward the end of December. And furthermore, we see the Soviet Union with a merchant fleet approaching ours in tonnage, but with three times the number of vessels, so that they are in far better shape to trade in smaller ports with lesser facilities around the world than we are.

Mr. SISISKY. This is a story that I have heard but yet the defense stockpile is diminishing and not growing. 11/

Need to Integrate Stockpile Requirements with War Plans

Much greater attention needs to be focused on the development of stockpile goals for strategic and critical materials sufficient to support military operations which are based on DOD wartime scenarios, the defense mobilization requirements necessary to support such scenarios, equipment loss estimates, availability of strategic and critical materials from insecure foreign sources, shipping losses, and the industrial mobilization needs of DOD's 20,000 prime contractors and 77 DOD owned plants.

It has been rumored for some time that the National Security Council (NSC) has been coordinating an interagency review of stockpile goals. It is expected that the current goals for many of the strategic and critical materials in the stockpile will be reduced. For example, on November 21, 1984, Undersecretary of Agriculture Amstutz advised the Ambassador of Mexico that the U.S. Government had decided not to accept the proposal made by the Mexican Government to barter fluorspar produced in Mexico for U.S. nonfat dry milk. Undersecretary Amstutz cited a recent study (presumably part of the National Security Council review of Stockpile goals) that indicated its preliminary findings supported lower goals for acid and metallurgical grade fluorspar for the National Defense Stockpile. ^{10/} Since the current Stockpile goal for metallurgical grade fluorspar is 1,700,000 short dry tons (with only 411,738 short tons in the Stockpile inventory), this apparently represents a significant reduction in the Stockpile goal for fluorspar.

The Congress has expressed concern and skepticism regarding the motives of the NSC review. It is felt that any reductions in stockpile goals will be

Treasury, Postal Service, and General Government of the House and Senate Appropriations Committees which approve their budget requests are much less likely to approve such increases since these Subcommittees are not defense oriented. Therefore, if the stockpile is included in the Department of Defense budget and reviewed by the Subcommittees on Defense of the House and Senate Appropriations Committees, additional funding is more likely to be obtained.

Even FEMA and GSA agree that it is basically a lack of funding which prevents them from meeting stockpile goals. On those recent occasions when GSA has proposed increased stockpile funding in their budget requests to the Office of Management and Budget, OMB has consistently reduced their request to the Congress. While GSA maintains that the stockpile is a priority program within GSA, it gave a low priority to stockpile management, stockpile transactions, and the stockpile transaction fund by ranking them 40th, 41st, and 42nd, respectively, among its 92 line items in its FY 1984 OMB submission. 9/ The stockpile priorities ranked behind such budget packages as records management centers, national archives trust fund, motor pool, etc. While there is no assurance that the stockpile would not fare just as poorly in competition with other military programs if considered in the Department of Defense budget, it would at least be evaluated on the basis of its contribution to defense preparedness against other similar programs. In short, the only likely prospect for obtaining additional appropriations for the stockpile would be to place the program responsibility with the Department of Defense.

insure that a single agency is responsible and answerable to the Congress on stockpile matters.

Direct Appropriations Required to Meet Stockpile Goals

It is unlikely that current stockpile goals can be met without direct congressional appropriations since current stockpile purchases are only being funded from the receipts of the sale of excess stockpile materials which are deposited into the National Defense Stockpile Transaction Fund. The transaction fund was established as a result of the 1979 stockpile amendments to the Strategic and Critical Materials Stock Pile Act. The fund is basically a revolving fund which receives funds from stockpile disposals and makes these same funds available for the acquisition of materials following approval from the Appropriations Committees. As previously mentioned, the House and Senate Appropriations Committees provided an annual authorization of \$120 million for FY 1983/84 and have increased it to \$185 million for FY 1985. However, at this level of purchase, it would take decades to meet current stockpile goals. To complicate matters, it is questionable whether GSA will be able to dispose of enough excess stockpile materials to generate the receipts necessary to support a \$120-\$185 million annual materials acquisition program. This results from the fact that the only two large money makers available for disposal are silver and tin. However, domestic and foreign political opposition has effectively prevented significant sales of both of these commodities.

Consequently, it is argued that it is unlikely that future GSA budgets will include the funds necessary to purchase materials necessary to meet stockpile requirements. It is also argued that even if significantly increased appropriations were requested by GSA, the Appropriations Subcommittees on

a program which is capable of meeting stated program objectives. Underlying this stockpile inaction is the preeminence in stockpile decisions of the Office of Management and Budget, which is opposed to increased stockpile spending. Therefore, the the management of the stockpile should be placed in the Department of Defense since it is the agency most critically affected by the adequacy or inadequacy of the stockpile. 8/

Centralizing stockpile management in the Department of Defense would place the program with a strong agency having direct access to the President in the event stockpile budget differences develop between DOD and the Office of Management and Budget. The current Secretary of Defense has been successful in obtaining increased funding for the Department of Defense and preventing budget cuts in military programs. Furthermore, it is the Department of Defense which is the most capable agency to develop the military and industrial mobilization requirements for stockpile materials based on wartime scenarios and the U.S. military force structure.

The stockpile program needs a strong agency with the necessary clout to implement the Strategic and Critical Materials Stockpiling Act. It is argued that neither FEMA nor GSA have the necessary stature within the executive branch to make things happen. Furthermore, only 40 or 50 FEMA personnel and approximately 230 GSA staff are responsible for the entire stockpile program.

Finally, placing the stockpile program with an Assistant Secretary of Defense would provide the priority status necessary to begin the process of restructuring the stockpile to meet the military and industrial requirements of a national emergency. Such an organizational realignment would also

and personnel support rather than for the purchase of strategic and critical materials for the stockpile.

When faced with the alternative of purchasing additional ships, planes, missiles, munitions, spare parts, etc., the military will prefer usable equipment rather than buying materials which must be converted to military equipment in wartime or allocated to other industrial or essential civilian uses. 7/

ARGUMENTS FAVORING STOCKPILE TRANSFER

During the hearing on H.R. 33, Chairman Bennett and members of the Seapower and Strategic and Critical Materials Subcommittee, the former Chairman of the House Armed Services Committee's Defense Industrial Base Panel, the former Commissioner of GSA's Federal Property Resources Service, and the Vice President of Pratt and Whitney Aircraft Corporation advanced reasons why the National Defense Stockpile should be transferred to the Department of Defense.

Stockpile Management Requires Strong Centralized Direction

During the past 20 years, the stockpile program has been given a low priority. Consequently, a higher priority has been given to the disposal of stockpile assets to raise revenues to reduce Federal budget deficits or to stabilize materials prices. The current split responsibilities between FEMA and GSA are symptomatic of the lack of interest in providing increased support for upgrading or purchasing materials necessary to meet current stockpile goals. The current management of the stockpile has not produced

and sales. Currently, this responsibility is divided with FEMA setting stockpile goals and GSA responsible for acquisitions and disposals. It is argued that those involved in policy determination must work closely with industry and share their confidential information which precludes commercial dealings with these same interests in order to prevent undue influence which could benefit the industry or a particular company. 5/

Disruption of Stockpile Management

GSA points out that it has responsibly carried out the stockpile management function for more than thirty years and possesses the experience necessary to acquire, dispose, store, inspect, and maintain the National Defense Stockpile. This continuity of GSA stockpile management has been maintained even though policy direction of the stockpile has been frequently passed among various Federal agencies.

To transfer this function to DOD would hamper stockpile operations and disrupt the program. Since GSA owns or leases 114 storage sites, the transfer to DOD would be costly in time and funds. Furthermore, the transfer of the custodial and fiscal accountability of these storage facilities would represent an immense administrative burden. 6/

Stockpile Funding Could Suffer under DOD

If the stockpile were transferred to the Department of Defense, the requests for stockpile funding would be considered within the Department of Defense budget. Therefore, it is argued that during periods when defense spending is constrained, military planners will opt for military hardware

mobilization programs in one Federal agency. In this regard, FEMA's basic authorities in the national security area, including the coordination of military, industrial and civilian mobilization, are based on authorities provided in the National Security Act of 1947.

The stockpile inventory is currently divided into three tiers--military, industrial, and essential civilian--to meet a three-year defense emergency. As a result, approximately two-thirds of the stockpile is earmarked for industrial and civilian uses necessary to support the defense effort. Therefore, it is reasoned that the determination of National Defense Stockpile goals should not be made by the Department of Defense since only civilian control will assure the continuation of a balanced program to meet all mobilization requirements.

Potential DOD Conflict of Interest

It is argued that if the stockpile were transferred to the Department of Defense, several conflict of interest situations could develop.

The first involves a potential conflict of interest should the Department of Defense become the allocator of strategic and critical materials from the stockpile during a national emergency since it is also a claimant and consumer of these same materials. The rationale is that the Defense Department might allocate a disproportionate share of stockpile materials to military requirements and ignore equally or more important industrial or civilian needs.

A second conflict of interest situation could develop if the same agency (Defense) is responsible for stockpile policy and the establishment of stockpile goals, while at the same time it is responsible for stockpile purchases

ARGUMENTS OPPOSING THE STOCKPILE TRANSFER

During the hearing on H.R. 33, the executive branch, represented by the Department of Defense (DOD), the Federal Emergency Management Agency (FEMA), and the General Services Administration (GSA) presented a united front in opposing the transfer of the Stockpile to the Department of Defense. The following arguments were advanced against such transfer.

Broader Civilian View Required

The current stockpile inventory was established over a period of years to provide strategic and critical materials necessary to supply the military, industrial, and essential civilian needs of the United States during a national emergency. Consequently, the stockpile should be viewed in the larger context of national security policy. National security may well depend on the ability of the national economy to respond to diverse mobilization requirements which cut across agency lines and involve decisions which should not be made solely on the basis of immediate military needs for armaments and munitions.

The Federal Emergency Management Agency on behalf of the President chairs an interagency committee which develops the annual materials plan. The committee is composed of the Departments of Agriculture, State, Commerce, Defense, Energy, Interior, and the Treasury, and the Central Intelligence Agency, the General Services Administration, the National Security Council (NSC), and the Office of Management and Budget (OMB). Since FEMA has broad emergency preparedness responsibilities, it is the logical agency to chair such a committee rather than the Department of Defense. Furthermore, the transfer of the stockpile to DOD would reverse efforts to place all key emergency preparedness and

to be that the civilian mobilizers were more vulnerable to industry and congressional pressure than was the Munitions Board; they were responsible for a wider range of values than the Board had been; and they defined national security in somewhat broader terms. To a degree, some of the values which the Munitions Board would have considered extraneous were quite legitimate within this broader frame of reference. There is nothing intrinsically sinful about market stabilization. Nevertheless, the introduction of such values, along with the attempt to camouflage them as elements in national security (or the belief that they were aspects of national security), tended to blur the ground rules for stockpiling and to open wide the door to dubious manipulation in response to pressures from self-interested groups. 4/

H.R. 33

The bill provides for the transfer of all functions, duties, and responsibilities of the President for the management of the National Defense Stockpile to the Secretary of Defense. This is accomplished by substituting the "Secretary of Defense" for the "President" wherever it appears in the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 et seq.), except in section 13 of the Act. Section 13 contains a congressional restriction on Presidential authority to regulate the importation of strategic and critical materials produced in a country not listed as a communist dominated country in the tariff schedules of the United States.

All full-time personnel, property, records, and unexpended balances of appropriations of the Federal Emergency Management Agency (FEMA) and the General Services Administration (GSA) relating to management of the National Defense Stockpile would be transferred to the Department of Defense. This transfer would become effective one hundred and twenty days following enactment of the legislation.

Civilian Dominance

During the Korean War, the Office of Defense Mobilization (ODM) was created by Executive order to coordinate military, industrial, and civilian mobilization. As a result, the stockpile program was transferred from the Munitions Board to the Office of Defense Mobilization by Presidential Reorganization Plan No. 3 of 1953.

In the three decades since this transfer to civilian control, the responsibility for stockpiling has been assigned to a number of Federal agencies. For example, ODM was later reorganized as the Office of Civil and Defense Mobilization (OCDM), then to the Office of Emergency Planning (OEP), and then to the Office of Emergency Preparedness (OEP), all of which were located in the Executive Office of the President.

Under President Nixon's Reorganization Plan No. 1 of 1973, the stockpile was transferred to the General Services Administration (GSA). In 1979, the Federal Emergency Management Agency (FEMA) was created, and the responsibility for establishing stockpile goals was transferred from GSA to FEMA while GSA retained the stockpile management function which currently resides with its Federal Property Resources Service (FPRS).

Civilian control of the stockpile program can be characterized by another quote from Glenn Snyder's case study:

It is probably more than a coincidence that the trends toward greater deference to nondefense interests, increasing use of the stockpile and stockpile funds for market stabilization purposes, higher stockpile goals, and the multiplication of stockpiles were accompanied by a trend toward civilian control.

The fear which military spokesmen had expressed before passage of the Stockpiling Act of 1946--that a stockpile in civilian hands would become a political football--has proved to be amply justified. The principal reasons appear

SELECTED BIBLIOGRAPHY

1. Jordon, Amos A., and Kilmarx, Robert A. "Strategic Mineral Dependence: The Stockpile Dilemma," The Center for Strategic and International Studies, Georgetown University, 1979 (a re-examination of US defense capabilities and threat assessments in light of renewed congressional interest in the U.S. stockpile program).
2. Morgan, John D. "Strategic and Critical Materials," Materials and Society, vol. 4, 1980, pp. 211-224 (a discussion of the vital importance of materials to the US economy in the event of a national emergency).
3. Snyder, Glenn H. Stockpiling Strategic Materials. San Francisco: Chandler Publishing Company, 1966 (a case study of the stockpile program from 1946 to 1964 with emphasis on politics and national defense).
4. US Federal Emergency Management Agency. Stockpile Report to the Congress (October 1983-March 1984), Washington, October 1984 (report submitted twice a year as required by the Stock Piling Act).
5. US Congress. House Committee on Armed Services, Subcommittee on Seapower and Strategic and Critical Materials. H.R. 33 - To Transfer Management of the National Defense Stockpile to the Secretary of Defense. Hearing, 98th Congress, 1st Session. Washington: Government Printing Office, 1984 (comprehensive hearing with testimony from Federal officials and former officials involved with the stockpile program).
6. US Library of Congress. Congressional Research Service. Barter of Surplus Agricultural Commodities for Strategic and Critical Materials. IB83-175, 1984 (a review of the use of barter for strategic and critical materials for the National Defense Stockpile).
7. US Congress. Senate. Mobilization Planning and the National Security. Document No. 204. Washington: Government Printing Office, 1950 (an historical review of mobilization planning from World War I through the World War II experience).

END

FILMED

4-85

DTIC